

## Book Review

# Emerging Markets, Financing Of SMEs, And Economic Growth: The Case Of Lebanon

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### Specifics

Language of the book: French.  
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Number of pages: 449

### Review

The book entitled “Emerging Markets, Financing of SMEs, and Economic Growth: The Case of Lebanon”, by Viviane Y. Naimy is the first treaty in Lebanon analyzing the Lebanese economy in a scientific matter, far from purely descriptive analysis.

The first part of this book is extremely rich in a set of curious and unique econometric modelings. For example, the effects of financial liberalization on investment in emerging markets have been meticulously illustrated in chapter I. This chapter provides a systematic analysis of the whole range of questions that have been raised in the literature with respect to financial liberalization. More specifically it analyses the most important aspect of financial liberalization, which is the effects of interest rates deregulation on the quantity of investment. The model derives the conditions under which an interest rate deregulation can lead to an increase in the supply of bank credit to the private sector in the presence of crowding out effects induced by a reallocation of the private sector’s portfolio consequent upon interest rate changes on deposits.

Moreover, the relationship between the volatility of emerging markets and their degree of integration is measured. The findings of this research (chapter II) may have policy-relevant implications for governments of developing countries who may be interested in the association between market volatility and integration. The author has carefully developed how variables were chosen for the factor model in order to measure openness or integration of the market. The research literature focused on the barriers that inhibit emerging markets from integrating with the world market portfolio. Furthermore, V. Naimy quantified the behavior of changes in exchange rates of selected emerging economies since the advent of the floating-rates period in order to better understand the currency risks associated with direct investment in these markets.

After a deep analysis covering the most important risks impeding the development of emerging markets, the author studied the relationship between the development of emerging markets and economic growth. This was the purpose of chapter III where the author created a new concept or measure of stock market development. A broad

array of indicators of stock market and financial intermediary development were compared and chosen to build a completely new index destined to quantify the degree of development of a stock market.

The second part of this book allows researchers tackling various topical questions related to the financial and economic crisis of Lebanon through very specific econometric tools constituted of a set of financial modeling and diversified investigations covering the last 25 years (since the beginning of the civil war in Lebanon). The methods and the financing problems faced by the Lebanese SMEs, as well as the behavior of banks in terms of credit allocation are deeply analyzed in chapter IV. An illustration is presented through a diversified survey. Moreover, and based on data collected from a considerable number of credit files, the components of the credit assessment process, the risk acceptance criteria, and the categories of loans available were plainly identified.

Additionally, and for the first time, Beirut Stock Exchange is deeply explored: constitution, structure, performance, etc. A consistent statistical investigation is established to measure betas of all listed companies and to test the evolution of its capitalization. Privatization and securitization options were acutely considered. Finally, the last chapter proposes a model intended to measure the danger of the huge Lebanese public debt illustrated by the snowball effects. The author ends her analysis with a simulation aiming at restructuring this debt with a valuation of the foreign indebtedness' limits.

## **Conclusions**

To summarize, this book is particularly rich in information and original analyses. It explores new ways of research and provides a substantial mass of data on emerging markets, gathered and integrated for the first time in a single work. Data related to the Lebanese economic situation, with respect to its monetarist, financial, and structural components, are perfectly studied and explored. In fact, I am inclined to talk about a true "Sum" of knowledge related to emerging markets and economic growth.